



Empowerment in SMEs: two case-studies

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Biographical Note

João Pedro Marques Araújo was born in Barcelos on December 4th 1993. In 2011 he was admitted at School of Economics and Management of University of Porto to study Management. He graduated in 2014 with the final grade of 13 (Thirteen) and in the same year he started his Master in Management at School of Economics and Management of University of Porto.

Passionate for businesses, he has started to work (part-time) on a familiar business, during the academic years. At the moment is working on the planning and control department of DTE, part of the DST group.

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Abstract

This research approaches the empowerment concept based in previous studies on psychological, structural and organisational empowerment. The research intends to examine the strategies used by SMEs (small and medium enterprises) to stimulate the empowerment among employees.

Using a qualitative approach, two similar structured companies, all under the “PME líder”¹ brand, are compared. 30 interviews were conducted to employees and managers to capture if SMEs provide the feeling of empowerment to employees and how they do it. With emphasis in the structural practices and psychological factors, the differences in the employees’ perception of the human resources practices allowed the induction of conclusions about the employees feeling of empowerment. SMEs have mechanisms to develop empowerment and it is proved by employees’ positive feedback.

The organizational climate is considered the heart in the process of empowerment by relating the structural factors with the development of psychological conditions. The feeling of empowerment is influenced by the role of managers in the employees’ working experience, which depend on the organization type of business and chart.

The research on the two case studies allows the recognition of heterogeneous dynamics. The results have generated feedback about their own mechanisms, which contribute to future improvements on management.

Keywords: Structural empowerment, psychological empowerment, SMEs, leadership

¹ According to IAPMEI (Portuguese Agency for competitiveness and innovation), this title is assigned to small and medium sized enterprises that have positive net income, hold high levels of rating calculated by the National Mutual Guarantee System; turnover superior to 1.000.000,000€; financial autonomy higher than 30% and a minimum of 8 employees.

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1 - Introduction

Along the last decades the structural organization of companies have changed, since the market demanded the exploitation of new areas and capabilities so that companies may be able to accompany the market evolution. The competitive environment demand leaner structures, better service quality, efficiency and profitability, giving to empowerment a vital importance in this process (Bowen & Lawler, 1992, 1995). The use of the entire potential of the company includes meeting the structural empowerment with human challenges. It will enable employees to experience their own power and role significance to achieve the required performance (Fineman, 1993).

Considering that each level of employees has their own responsibility, empowerment is associated with taking the decision making process to the lowest level (Randolph, 1995). The empowerment practices are in tune with the development of a strategic approach of Human Resource Management in the companies due to the necessity of human assets differentiation (Karacoc & Yilmaz, 2009). Structurally, the organizational flattening and flexible charts also contribute to the empowerment culture development (Chebat & Kollias, 2000).

At the same time the social evolution also has a role in this process, as individual expectations about the job content have been changing towards greatest enrichment. The education and academic background is linked to higher needs of job significance and higher knowledge is translated in competence and therefore confidence in individuals' opinions. This conjuncture led space and climate for employees' continual development, which combined with the propensity to autonomy, guided the empowerment growth and this culture of releasing power to people become attractive. This theme cuts across the entire companies and is considered an important feature of successful management (Batten, 1995).

The main empowerment literature lays on understanding the importance of this culture inside companies and how to create it (Kanter, 1977; Spreitzer, 1995; Thomas & Velthouse, 1990). Although developments beyond the theoretical fundamentals of empowerment in SMEs (small and medium enterprises) are underexplored, with rare close looking inside companies. The SME group "*compose 99.9% of the Portuguese business*" (Paula, 2012) and offers an enormous diversity of structures that can induce

different results. Perceiving this generality of companies' compositions, the decision was to analyze the "PME Líder" brand, comprising a bundle of enterprises that obey to structural, fiscal and financial standards required by the IAPMEI.

This research intends to inquire "PMEs Líderes" about empowerment, specifically to capture the perception of employees about empowering tools or factors, answering the question: Does SMEs provide the feeling of empowerment to employees? How do they do it? The research will allow to understand if empowerment is being developed by means of structural change across all the organization and how do employees are feeling it.

The methodology will be designed according to a qualitative approach, based on interviews to employees. This method intends to extract *in locus* the factors behind the perception of psychological empowerment felt by the workers.

2 – Literature Review

This chapter intends to explore the definition of empowerment, based on two central approaches: the structural or organizational empowerment and the psychological empowerment. The development of empowerment in the companies will be discussed as well as its outputs and impact on employee's behaviour and attitudes. The centralization of power in some actors and the role of leadership will also be approached in the chapter, showing the different domains and its contribution to employees' empowerment.

Finally, similar studies will be presented to corroborate these thoughts, presenting examples of research questions and methodological insights that were vital for the development of this research.

2.1 Empowerment

During the end of the last century an increase of standardized services, guided by Taylor's prior ideologies, contributed to mass use of the "production-line-approach" (Levitt, 1972) that routed the "industrialization of the services" (Levitt, 1976). This period was marked by new advancements in production and leveraged it to up levels, but at the same time demanded the necessity of service differentiation. Therefore, employees become a possible competitive advantage in the process of differentiation, and emerged as "diamond's" assets ready to be shaped by means, for example, of an empowerment organizational culture.

Empowerment is not a straightforward concept and *"no unidimensional conceptualization of empowerment by itself would capture the full essence of the empowerment concept"* (Lin, 2002, pp.3). It is being study in several domains as psychology, management and leadership (Yukl & Becker, 2006), so defining it is hard due to the broad meaning. However, it is often associated with a "state of mind" (Berry, 1995; Bowen & Lawler, 1995; Rafiq & Ahmed, 1998) in which the employee experiences control over how the job should be done, demonstrating organizational awareness and responsibility (Melhem, 2004). Generally, the concept is related with giving authority and discretion to subordinates (Melhem, 2004) make day-to-day decisions about their job (Conger & Kanungo, 1988). The job ownership feeling drawn them to higher

commitment that make them capable of taking decisions, and that recognize employees as thoughtful human beings (Byham & William, 1992).

This culture is being investigated since its results revealed good effects on efficacy and employees' autonomy (Darankolaee, Esmaceli, & Nikaeen, 2014). To analyze the real on going process of empowerment, it is important to understand the organizational culture, namely the management practices and the interactions between managers and subordinates (Lin, 2002). So the theme is divided in two central areas, the structural/organizational and motivational/psychological dimensions. Notwithstanding the dimensions are inter-related as explained below.

2.1.1- Structural/organizational empowerment

The social structural perspective of empowerment defined by (Spreitzer, 1995) highlighted higher involvement from employees as a consequence of the changes in organizational policies, practices and top-down control systems. The growth of an empowerment culture is commonly associated with structural trends that flatten the organizational structure, eliminating the traditional vertical hierarchy by erasing line managers' positions (Chebat & Kollias, 2000). This structures demand the development of factors such as information, communication, development of trust and other practices, that are essential for the employees' sense of empowerment.

In the early exploration of the theme, Kanter (1977), Sarmiento, Laschinger, & Iwasiw, (2004) and others authors, conceptualized empowerment based on a structural panorama, assuming that employees' behaviors and attitudes were influenced and developed by the workplace social structure. The theoretical framework of Kanter (1979), schematized in the Figure 1, defines power as the main driver of empowerment. According to the author, the systemic power factors are divided into: formal power which comprises job definition, flexibility, recognition or visibility, relevance of the activity, and the informal power related with the individual interpersonal relations and alliances inside the organization (subordinates, peers, groups) and outside of it. These two power sources tend to affect the workplace environment by enabling the **access to opportunities**, which make the employee more confident about the perspective of internal growth and development of their personal skills. The access to a **“structure of power”** emerge as another effect of the systemic power factors, allowing the mobilization

of information, resources and support to get the job done. The sources of power are important and organizational actors which are close to power have higher probability to achieve the desirable results (Conger & Kanungo, 1988). Fox and Gruninger (1998) concluded from Kanter's framework that the opportunity and the power were the bait for employees' empowerment and a manner to conduct their behaviour and attitude to higher organizational commitment, satisfaction and autonomy, reflected in a better customer oriented service and work effectiveness.

Relationship of concepts in Rosabeth Kanter's (1979) structural theory of power in organizations

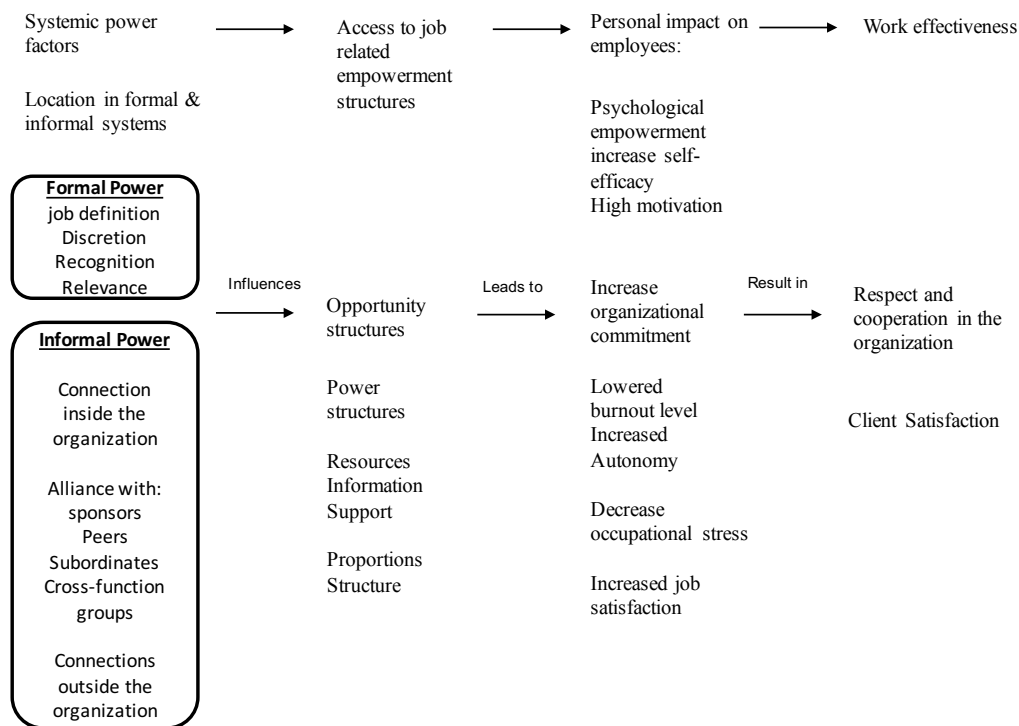


Figure 1- Kanter's Framework of structural power

Source: Kanter (1979)

The decentralization of power and involvement in the decision making process is inherent to empowerment (Kanter, 1983) and help employees to break the chains and start to take innovative steps (Spreitzer & Doneson, 2005), that overpass their initial expectations (Bowen & Lawler, 1995). Having involvement and control over the workplace decisions and encouraging employees to express their ideas, were considered by Matthews, Michelle Diaz, & Cole (2003), organizational factors that boost

empowerment. The **participative management** is currently associated with sharing power (Conger & Kanungo, 1988) and is considered critical since the delegation of authority towards the organization creates a sense of belonging that increase responsibility and therefore empowerment emerges as a natural consequence (Spreitzer & Doneson, 2005). Previous research established trust as the major factor to develop the participative management, since the confidence and belief on your team competence and reliability (Hart & Saunders, 1997) lead to higher distribution of power (Kotter, 1995). The culture of trust encourage the risk taking and the confidence of employees in exposing their ideas, being crucial on the process of organizational development (Melhem, 2004).

The organizational climate oriented to a participative management is consider a gem of empowerment, although there are specific organizational factors that, backlighted by literature, might contribute to the organisational empowerment, such as training, knowledge, information, communication, role accuracy, support and rewards.

Training or cross-training are company tools that may provide a higher collective psychological empowerment to employees (Voegtlin, Boehm, & Bruch, 2015) to the subordinate a wider knowledge about the company. This type of initiatives increases socialization and communication between the parties, decreasing the role ambiguity (Hartline & Ferrell, 1993) inside the firms.

It has been shown that ambiguity is a strong cause of dissatisfaction among workers that reduce their productivity by rendering an uncomfortable feeling of insecurity and lack of clarity regarding their daily functions (Kahn et al., 1964). **Role accuracy** can be largely increased by communicating and clarifying role expectations that come out from the the upper levels (Chebat & Kollias, 2000). At this point communicate the right information regarding the purpose of work and the job contribution to the overall performances are inclusive behaviors (Melhem, 2004) that create a good organizational climate.

Melhem (2004) stated that even motivated and trained employees were not available to contribute to organizational performance without **communication**, since information sharing, understood as a consequence of communication, enable them to have a better, quicker and effective customer service. Plus, **information sharing** was intended as a driver of corporate responsibility by creating a sense of meaning and establishing

concordance between the individual decisions and the corporate goals (Conger & Kanungo, 1988), being crucial to the process of empowerment. Kanter (1983) stated that without information, employees will not be able to take initiative. The information access is a function of structural organizational map and commonly problems at this level occur when top or line managers are reluctant in passing information to the lowest levels (Randolph & Sashkin, 2002).

Developing organizational **knowledge** may be the basis of future competitiveness (Swan, Langford, Watson, & Vary, 2000), since gathering knowledge about job context will allow the employees to respond faster to problems, increase their confidence (Melhem, 2004) and improve their self-efficacy (Spreitzer, 1995).

Previous literature as proved that **support**, as legitimacy from the organizational constituencies acquired from the organizational networks (relation with peers, subordinates, boss, etc.) (Spreitzer, 1996) has effects on employees' empowerment by creating the sense of personal power (Crozier, 1964). The existence of support and trust inside teams are likely to contribute to higher commitment (Bradley L. Kirkman; Benson Rosen, 1999).

An additional factor considered by many authors, Kanter (1977), Yip (2000) and Melhem (2004), as a structural driver of empowerment is **rewards**, as a positive reinforcement for providing a good service. Melhem (2004) advanced that, beyond the individual feeling, incentives play an important role in involving everyone, once managers tend to include their subordinates in the decision making process to benefit the organization interests.

All this factors ensure propitious conditions to the development of an empowerment culture, although does not guarantee their application (Melhem, 2004). Empowerment is not a linear concept and so it is not automatically generated by the presence of certain structural factors.

According to Lashley (1999), there are different non exclusive types of managerial intentions to develop empowerment. The most common is **empowerment through participation** as explained previously, followed by **empowerment through involvement** that consists in a soft distribution of power, where managers take the decisions, using the subordinates' experience and opinions. The utilization of team briefings or quality circles can enhance the involvement. A third version, **empowerment**

trough commitment is a consequence of the last two, that intend to led the employees to experience feelings of belonging, through share ownership or bonus schemes.

The last managerial initiative is not concerned with the subordinates directly, but with involving managers in managerial decisions that are linked with the profitability of the business. Re-designing the job and their enrichment and encouragement of entrepreneurship are common initiatives to develop the **empowerment through delayering**. Moreover, to give a robust definition of empowerment we should also look at the motivational/ psychological approach. Whereas the organizational empowerment is seen as a set of practices associated with granting employees decision-making authority, the psychological empowerment is the study of a motivational state (Ahearne, Mathieu, & Rapp, 2005).

2.1.2- Motivational/Psychological empowerment

Psychological empowerment is defined as a motivational construct that reflects an active orientation to a work role (Spreitzer, 1995). It is connected with the idea of enabling employees rather than delegating (Conger & Kanungo, 1988). Whilst in the structural construct the delegation of authority was the priority, in the psychological empowerment enabling means exploring their task motivation by creating conditions for the development of their sense of self-efficacy (McClelland, 1975).

Thomas & Velthouse (1990) defined psychological empowerment based on four cognitions: meaning, competence, self-determination and impact that compose the perception of empowerment and conduct to intrinsic task motivation. The authors believed that psychological empowerment is created as a result of **meaning**, which comprehends the value of the objective or purpose of the task, judged in relation to the ideas, values or standards of the individual. **Competence**, or self-efficacy (Conger & Kanungo, 1988), represents the individual's recognition of the ability to perform their job with success (Gist, 1987). The third cognition, **self-determination**, is intrinsically linked with individual autonomy to perform and regulate his/her actions. Finally, **impact** involves the individual perception as making a difference in terms of accomplishing the purpose of a task or having influence in the strategic, administrative or operating outcomes at work (Asforth, 1989). In sum, these cognitions combined as pieces of a

puzzle result in psychological empowerment, giving the individual the feeling of being able to perform his/her work (Spreitzer, 1995).

The four cognition theory is considered to be the core of psychological empowerment. Spreitzer (1995) enlarged this approach by developing the partial nomological network theory (figure 2), which includes antecedents of psychological empowerment. The author tested four variables (two individual factors and two organizational) that incite the four cognitions. The degree to which people believe they control what happen in their life's is given by the **locus of control** (Rotter, 1966). Humans have a need for power, extended by their pursuit of influence or control of others (McClelland, 1975). So, meting their individual needs of power can be linked with the ability to cope (Conger & Kanungo, 1988). People with a great internal locus of control have higher propensity to feel empowered, because they are naturally capable of shaping their work (Spreitzer, 1995). So the perception of control is essential to the employee feeling of empowerment (Menon, 2001).

The sense of control is commonly associated with **self-esteem**, defined by the individual feeling of self-worth (Brockner, 1988) and their capacity to see themselves as active contributors to the common cause. Their self appreciation makes them more available to act autonomously regarding their work (Spreitzer & Doneson, 2005). These two individual factors impact with the individual perception of competence, affecting their self-efficacy.

The organizational factors: information and rewards were previously targeted in the structural empowerment and its influence was already discussed.

Spreitzer (1995) pointed two consequences of empowerment: effectiveness and innovation. Effectiveness is usually associated with the individual capacity to over perform, once he feels able to complete the work role expectations. Innovation is generally associated with the process of creating new things, which guide empowered people to easier development of processes, ideas or methods. Moreover, Amabile (1988) highlights empowered individuals as autonomous people, with higher creativity and less restrained in terms of technical work, which create the perfect amalgam to germinate innovation.

The psychological empowerment factors are reciprocal and can be also influenced by external factors as employees' social desirability and stability across time (Spreitzer, 1995).

According to Menon (2001) **goal internalization** is also a relevant issue to psychological empowerment. Menon (2001) stressed that goals are an energizing vitamin to connect employees to the organization cause, increasing their project meaningfulness.

The development of the psychological empowerment is seen as critical to any organization that aims to achieve employee involvement, flexibility and market responsiveness (Mathieu & Taylor, 2006).

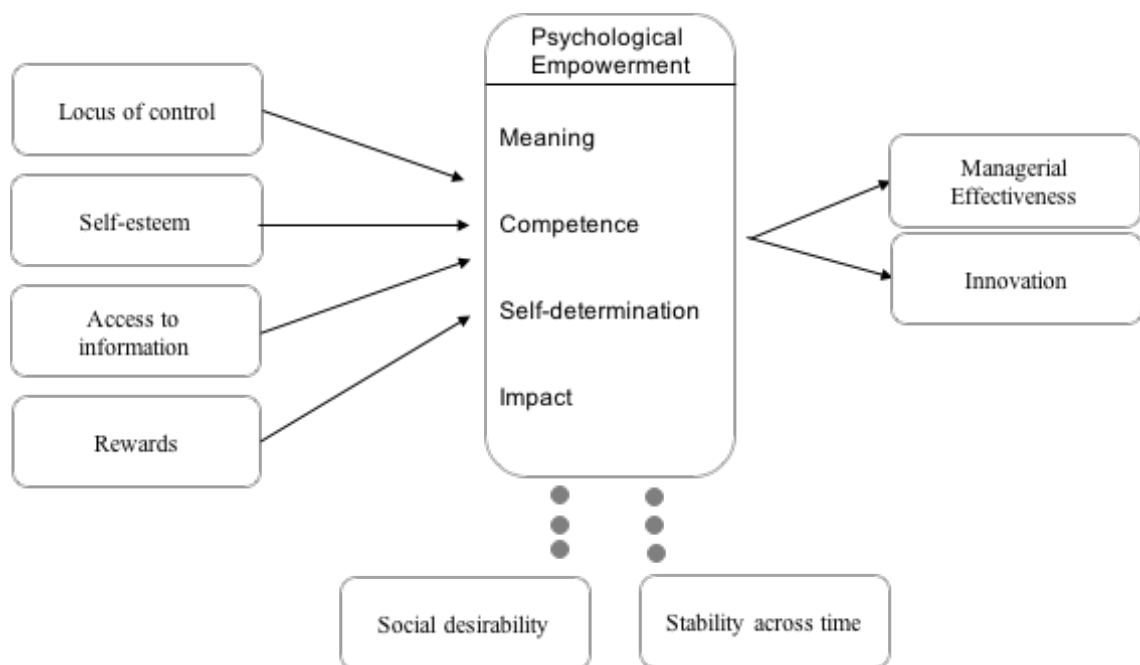


Figure 2 - Partial Nomological Network

Source: Spreitzer (1995)

2.1.3- Relation between Structural and Psychological empowerment

Structural and psychological empowerment are strongly connected, as it is highlighted in the theoretical models. Firstly, Kanter (1979) presents systemic power factors that would conduct to the employee behaviour, contributing to the development of his/her psychological empowerment. Also in the partial nomological theory, Spreitzer

(1995) tested factors and managerial structural variables that drive the psychological empowerment, fostering the ability of employees to generate organizational outcomes.

Empowerment emerges as a multi dimension concept (Structural/ Organizational and Psychological) that indirectly produces a similar output over the employee, since the dimensions are inter-related. Kazlauskaite, Buciuniene, & Turauskas, (2011) have defined organizational empowerment as a bundle of human resources practices to orient their employees, developing skills at the same time they share control and authority. On the other hand, the motivational empowerment is interpreted as a work-related attitude, in which individuals respond to tasks based on their expectations (interpretative style), environmental event², task assessments, personal behaviour, global assessment (meaningfulness) and interventions as defined by Thomas & Velthouse (1990).

Kazlauskaite et al., (2011) explained that HRM gives signals to individuals regarding the attitudes that the organization expects from them. The message is then perceived and possibly the employees' behaviour is indirectly affected by the HRM.

The main effects of HRM practices are the development of job satisfaction and organizational commitment. In practical terms, structural initiatives as job design or compensation seem to have positive influence on job satisfaction (Garrido, Pérez, & Antón, 2005). Plus, job enrichment practices are related with organizational commitment (Luna-Arocas & Camps, 2008).

The creation of empowerment seems associated with organizational mechanisms that push the psychological empowerment. Greasley et al. (2005) concluded that, in the employees' perspective, there are two ways of creating empowerment: through the demonstration of trust by the organization or through giving autonomy to the operatives to make their own decisions about their functions. This feeling of autonomy makes them feel involved in their work and do not affect the central/structural decision, once they recognize their limited decision power, assuming to seek authorization when comes to actions that overpass their capacity. Moreover, empowered employees tend to have higher emotional response, by means of individual transparency, openness and their attitudes at work, essentially related with high self-esteem and confidence.

² I.e. Training sessions or evaluation of performance

2.2 – Role of leadership in the relationship between structural empowerment and psychological empowerment

As explained before HRM practices are related with the creation of instruments capable of guiding the individuals' behaviour (Kazlauskaite et al., 2011). In a great extent, this process depends on the employee perception of the practices. Since line managers are intimately involved in work with their own teams, they end up to be essential in the delivery of HRM (Gunningle, Heraty, & Morley, 2006) and in shaping the overall performance (Currie & Proctor, 2005) by exerting influence in the employee perception. The process of delivering HRM practices and impacting over the employees' behaviour is designated as the "black box" phenomenon. The "black box" is a concept that represents the process that happens in between the impact of HRM policies in individuals and organizational performance and gives the overall image of opacity and lack of understanding about how this impact operators (Purcell, Hutchinson, Kinnie, Rayton, & Swart, 2003).

The HRM-performance model is represented in the figure 3. The first pillar consists in HRM and structured activities as recruitment, training, appraisal, work life balance, employee voice, etc. The second pillar portrays the AMO (ability, motivation and opportunity) theory, which encompasses ingredients that may explain the linkage between HRM and performance. HRM may be considered as tools to enable skills, motivate by incentives and provide a comfortable environment to encourage employees' behaviour. Further, Boxall & Purcell (2003, pp.20) explains that the firm's performance is the result of line managers' capability to explore AMO with their subordinates. So, *Pillar 3* endorses the line manager's management style since the line managers do not have a "robot conformist" role in implementing the companies' policies (Marchington & Grugulis, 2000). This theme was explored by Purcell & Hutchinson (2007) in twelve "excellent" companies, which confirmed that leaders have a role in introducing HRM practices and employees are influenced by the perception of HRM and by their leader's behaviour.

Line managers' influence can be intensified by the type of leadership they exercise with their subordinates. Nielsen, Yarker, Brenner, Randall, & Borg, (2008) propose that transformational leadership is related with the employees' perception of the work environment. Transformational leadership takes place when leaders incentivize their

subordinates to look beyond their self-interest and elevate the interest of their employees, generating a purpose for team work (Bass, 1999). This author stated that transformational leadership can be developed through charismatic leaders (seen as a model to others), inspirational motivation (when leaders meet the employees' emotional need) and/or intellectually stimulation (when leaders try to encourage the involvement in the decision making process, seeking their creativity). According to Nielsen et al. (2008) the transformational leadership can affect the working conditions by exerting influence, involvement and meaningfulness, and this three factors will conduct the employee to experience job satisfaction and well-being.

The *pillar 2* and *pillar 3* are considered invisible steps due to their intangibility. The management style and AMO are intermediate variables that will transform HRM in commitment, motivation and job satisfaction. These factors prepare the employee to experience positive attitudes at work namely the “organizational citizenship behaviour” (OCB) (Organ, 1998). OCB consists in a discretionary behaviour, based on the employee' non-formal role of act (Harney & Jordan, 2008). It is performed by personal choice and as positive impact in the organization effectiveness.

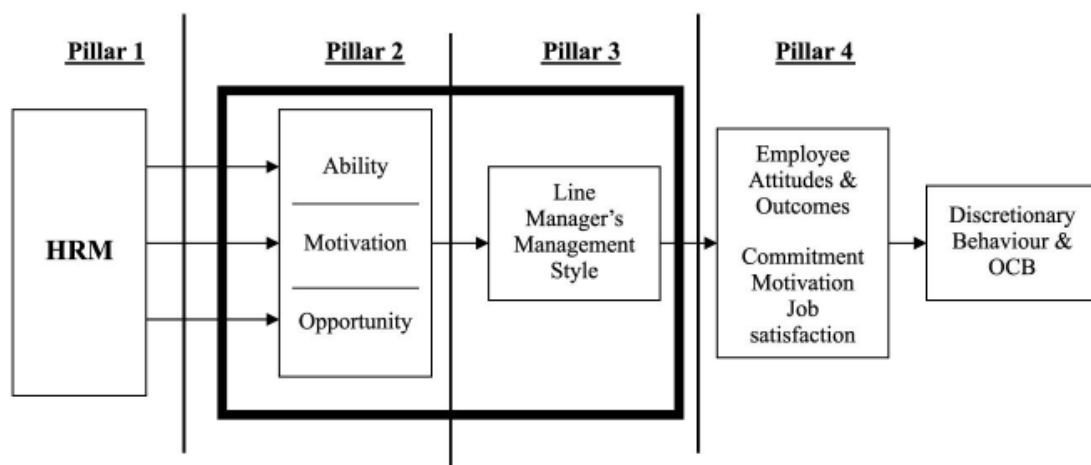


Figure 3 - The people - performance model

Source: Harney & Jordan (2008)– adopted from (Purcell et al., 2003)

Leadership plays an essential role in enabling HRM practices, although their implementation may be potentiated or mislead by the characteristics of the leader. Assuming that empowerment is a subjective experienced and is daily influenced by the

immediate supervisor and work context, empowerment may be destroyed with constant shift variations, supervisor and team changes (Greasley et al., 2005). Since HRM practices were seen previously as precursors of empowerment inside the companies – structural mechanisms of empowerment – and leaders were crucial in their implementation, the syllogism explains the importance of leadership in developing empowerment inside enterprises.

2.3 – Business influence on empowerment development

After the discussion of several mechanisms of empowerment, it is important to understand the role the business itself plays in the development of empowerment, since it has been argued that empowerment is not the solution for all types of services or circumstances (Ueno, 2008). Even considering organizations with initial availability to develop mechanisms of empowerment, their managerial intentions can vary with the organization's type of business (Lashley, 1999). Each specific business can require a different degree of empowerment (Ueno, 2008).

Lower empowerment demanding business as the service factories are normally associated with low customizations and labor intensity (Lashley, 1997) with short contact with the customers. Ueno (2008) stated that this strict standardized behaviour established by the business context constrain the employee to exercise discretion.

In mass and technological demanding services, the empowerment is experienced in a medium level. In his research, Lashley (1999) shows that standardized and technology demanding businesses seek for improve performance standards rather than feelings of organization belonging. So their conception of empowerment is based on a control-oriented culture, with a calculative commitment and a task limited power. However, their interaction with the customer is required and some discretion is needed to respond to customer needs (Lashley, 1997).

In other cases, such as businesses with a professional service involve giving higher responsibility and autonomy to employees (trust-oriented culture) that have high discretion in their functions (Lashley, 1999), in order to respond to customer unpredictable needs. This type of service, as doctors or engineers are characterized by high knowledge, responsibility and autonomy and the degree of empowerment is naturally high.

2.4 – Empowerment outcomes

The main aim of empowerment according to management literature, is the results that come out of it.

Ueno (2008) has stated that improvements in productivity and profitability can be positively related with the outcomes of empowerment. Backlighting by empowerment theories, Kanter (1979) defined a systemic power theory that would have downstream repercussions over psychological empowerment, which would affect self-efficacy and the levels of personnel motivation. This opinion was corroborated by Bass (1999) through the HRM-performance linkage, in which structural practices guided the employees' behaviors. Concentrated in empowerment as a bundle of activities, Kazlauskaitė et al. (2011) pointed organisational empowerment as a driver for higher commitment inside of companies. Both of these results produce upfront effects in the organization and Wright, Gardner, & Moynihan (2003) accessed the process of value creation in companies, following Campbell, Dunnette, & Hough (1990) job performance theory, assuming that "*performance is behaviour*". According to Campbell et al. (1990) the job behaviour is divided in three concepts. First the 'core task proficiency' entailing behaviors straightly related with what you were hired to do, followed by the 'extra-role behaviour' that comprehend behaviors beyond the function requirements, as helping others or being creative in some processes. The last category is 'counter-productive behaviour', which consists in a bundle of actions or attitudes that prejudice the organization (Sackett & DeVore, 2000) such as providing bad customer service or stealing materials. Lined up with this idea, they believe that committed employees are motivated to highly perform in their core tasks and exhibit good indicators of extra-work behaviour, incurring less in counter-productive actions. For this reason, empowerment can affect employees' commitment and motivation, which subsequently could provoke effects in the operational performance, affecting the final company's expenses and profits.

At this point, Wright et al. (2003), concluded positive relations between organisational commitment and productivity, compensation expenses, quality and shrinkage. Moreover, profitability and operating expenses revealed strong relation with HR practices and employees' commitment. Concluding, the authors said "*HR practices have an impact on operational performance at least in part through their impact on*

employee commitment, and the impact commitment has on profitability is largely through operational performance” (pp.32).

3 – Methodology

This section is entirely dedicated to the description of the methodology for the current research. Firstly, the research objectives are presented and complemented with the explanation of the methodological strategy and data collection. The introduction on the cases studies is made in the next chapters.

3.1 Research objectives

The motivation for this research raised on understanding deeply the internal environment of SMEs. The economic instability and competitiveness markets are the panorama that most companies face every day. Having success is a product of an incommensurable effort in every part of the organizations. Strategies as flattening organization charts and strategic HRM practices are being used such as empowerment. Tatikonda & Tatikonda (1995) suggested that empowerment and cross-functional practices are essential for TQM (total quality management) success. Organizations that experience these practices can be 200% to 600% more effective.

Considering these facts, this research aims at exploring three major objectives. Firstly, to understand SMEs awareness regarding empowerment policies and practices, by highlighting their intention to invest in this internal culture and their main reasons for it. Second, we aim to explore what are their actual policies and practices of empowerment and finally, how do employees perceive them and if they feel empowered. The figure 4 explains the research map, presenting the linkage between the objectives.

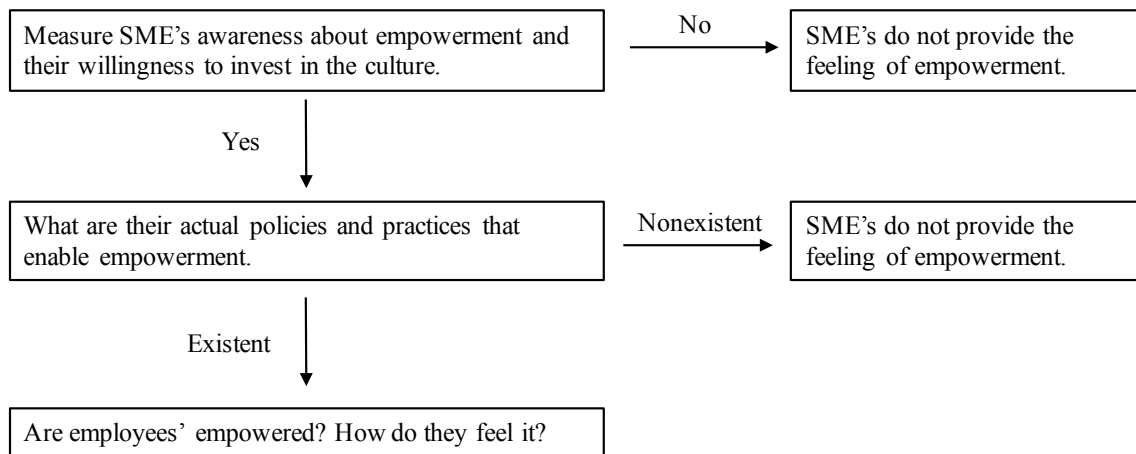


Figure 4 - Research Scheme

Source: João Araújo

3.2 Methodological strategy

To achieve the proposed objectives, we decided to use the case study strategy. Bearing in mind the necessity of getting deeply inside of the organization, the case study methodology appears to be the most reliable since *“case study methods allow investigators to retain the holistic and meaningful characteristics of real-life events – such as small group behaviour, organizational and managerial processes”* (Yin, 2014, pp.4).

Understanding the complexity of a social phenomena by analyzing a single case study seem too vulnerable. So, *“having two cases can begin to blunt such criticism and skepticism”*(Yin, 2014, pp.60), around the uniqueness conditions of the case. Therefore, our case study is two multiple case design that will follow a replication and not sampling logic, *“Replication procedures is the development of a rich, theoretical framework. The framework needs to state the conditions under which a particular phenomenon is likely to be found.”*(Yin, 2014, pp.54) around the two chosen firms.

The Figure 3 shows the several steps that compose the entire process, starting with the choice of the SMEs. Proceeding the study, interviews to employees and managers will be conducted for data collection. After this step, the content analysis will be made by processing all the information and translated into the theory induction, based on the different employees' perspectives.

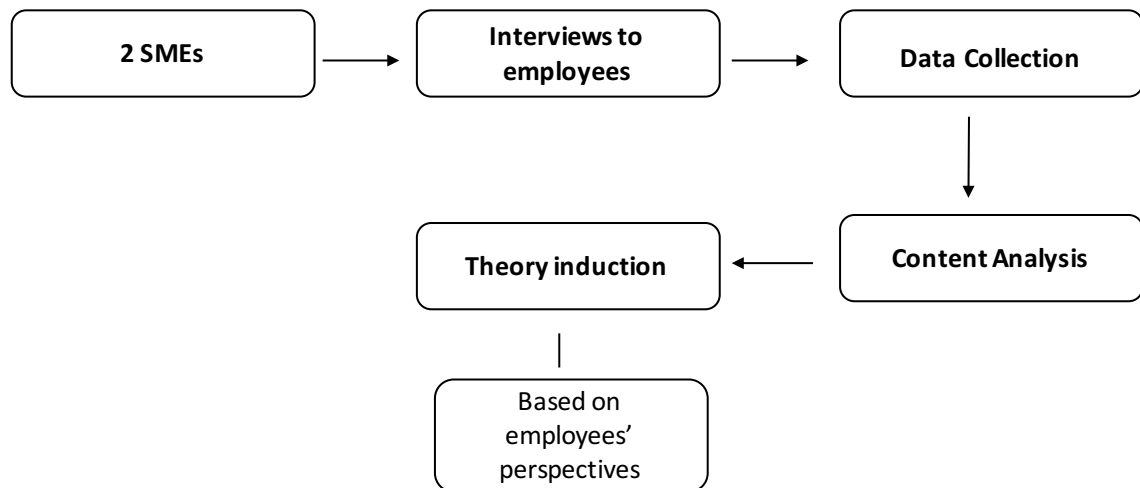


Figure 5 - Map of research steps

Source: João Araújo

3.3 Case Study Presentation

With the research objective focus on SME's environment in terms of enabling employees' empowerment, SMEs under the "líder" label were chosen for data collection. In the selection process of enterprises for the case study the priority was to identify two medium size companies, which allowed us to eliminate the differences based on the companies' dimensions. Allied to this factor, the criteria filtered healthy companies that additionally to their actual financial conditions, have propensity to grow in the future. The ambition of the company to prosper in a near future may signal of their disposition to innovate and demonstrate pro-activeness. Finally, a traditional based company would fit, since meting the previous factors, we could observe the influence of type of leadership in the organization.

Sorting the criteria, the company A fitted the requirements. The company is medium sized, with 300 employees', and an average of employees working in the butcheries. With an enormous growth in the last years, this company is placed in more than 25 municipalities in the north of Portugal and has 37 establishments. Soon they will finish their first warehouse and their strategy encompasses the increase of establishments to drain their productive capacity and take advantage of their economies of scales. The new project intends to decrease the number of suppliers by buying in quantity to central suppliers and then standardize the production over the establishments. In the past the company belonged to the family, although the constant growth over the years, enlarged

the head of the company. The administration board is composed by 13 members and each commercially unit (in total of 37 units) has a simple structure composed by a manager, two cashiers and a team of employees (of around 6 employees) for each unit. Above these units, there is an executive board of three supervisors, that belonging to the administration board, exert control over these units by having a portfolio of twelve/ thirteen units each.

In the same scale, the company B is a successful industrial food company. Placed in Vila Nova de Famalicão, it is a medium-size firm, with 99 employees', producing a wide range of frozen products. Their product quality rose as consequence of their advanced technology and qualified human resources, allowing them to entry in the nationally market by dealing with large retailers. They are in expansion and soon they will open a second factory to meet the market demand. With a short administrative board, the organizational body is composed by several departments (Quality, R&D, Commercial) related with the production. The production department has two shifts (night and day) that are leaded by engineers that exercise control over their teams as stated in the Annex 2. The linkage between shifts is made by the shift responsible that is in charge of passing the information to the next shift engineer.

Engineers report to the general director, which as the responsibility of controlling operationally the entire company.

3.4 Data Collection

Data was collected by means of interviews to managers³ and employees. The interviews "*constitute one of the most important sources of case studies*" (Yin, 2014, pp.106) and so we decided to explore the "*focused interviews*" method (Merton, Fiske, & Kendall, 2008) since interviews will be conducted personally in a short period of time. The objective is to extract the maximum of information from the organization and employees' perspective, as to be able to identify and explain behavioral and attitudinal patterns from the different answers.

³ Stands for "Diretores"

3.4.1 Interviews

The research has two different recipient targets: the management team and employees. For each type of recipient, the interview was conducted differently, addressing specific themes. For the management team, the objective was to understand their vision or the organization's vision, the way they were sharing it and the structural means they created to accomplish it. The interviews were divided in two parts. Firstly, introducing them into the concept of empowerment and what was their opinion about the subject, and secondly by understanding, structurally, if and how they are they enabling the empowerment. The structural/organisational approach involved several areas such as information, resources, support, communication, training, clarity of role, reward and organizational climate. The questions for each factor was supported by previous literature, as presented in the table 1.

Table 1 - Managers Interviews guide

Framework + Company Structure	Questionnaire	
	What is your function, position and responsibility in the company?	
	What is your age; gender; literary abilities and length of service?	
	How does the company hierarchically works?	
	Do you believe in the importance of autonomous human resources, with power to make decisions? Or this type of job doesn't demand such abilities?	
	Do you value this type of attitudes?	
	The company provide tools to empower the employees?	
	Which strategies does the companies use for provide the sense of empowerment to employees?	

Structural Empowerment	Information	Does the company provide the necessary information to employees carry out their work? How do they transmit it?	(Spreitzer, 1996)
		Do you believe your employees understand the company strategy, objectives and their direct manager vision?	(Laschinger, Finegan, Shamian, & Wilk, 2004) <u>adapted</u>
	Resources	Does the company provide every resources to the performance of the desirable work? What type of resources are available to employees? Were there any features that would increase productivity and well being of employees?	(Spreitzer, 1996)

	Support	How many times do you have contact with your employees?	(Melhem, 2004)
		Do you give feedback about their work? How often and how?	(Laschinger et al., 2004) <u>adapted</u>
	Communication	Is information given to employees about their personal objectives and companies goals? Why? How often?	(Spreitzer, 1995)
		Do you encourage your employees to give their opinion, regarding stores changes or any suggestion they might have? Examples?	(Rosenthal, Hill, & Peccei, 1997)
	Training	Is the company his committed with training and development? Which type of training does the company has and how is organized? (hours per worker)	(Lin, 2002) <u>adapted</u>
	Role Clarity	Do you believe there is clarity in the role each person has in the company? There are ambiguities or overlays?	(Spreitzer, 1996)
		Do you consider the functions are well allocated and everybody knows clearly what they have to do?	
	Rewards	Does the company consider the employees' dedication and efforts? How?	(Melhem, 2004)
		The individual performance is reflected in the salary? How?	(Spreitzer, 1995)
	Organizational Climate	Do you encourage them to take their own decisions? How and which decisions?	(Ueno, 2008)
		Inside of each unit is there are space for employees' participations in the work decisions? How does it work?	(Spreitzer, 1995)
		This company provide a climate for team work?	(Spreitzer, 1995)

For the employees, the interview contained three parts: characterization of the interviewee, psychological empowerment and structural empowerment, as presented in the table 2. The last two parts of the questions were addressed to understand the employees' feelings regarding their jobs and the way they were interpreting the firms' interactions. The psychological empowerment questions were developed following the four cognitions (meaning, competence, self-determination and impact), empirically studied by Spreitzer (1995). Structurally, the questions were equal to the management team interviews but were addressed introspectively.

Table 2 - Employees' interviews guide

Framework	Questionnaire		
	What is your function, position and responsibility in the company? Age; gender; qualifications and length of service? How does the company hierarchically works?		
Psychological empowerment	Concept	Questionnaire	Author
	Meaning	Your job is important for you? Why? Does your job have meaning for you?	(Spreitzer, 1995)
	Impact and objectives of Internalization	Do you feel you have impact in what happen within your work unit? How? Do you have control or influence over what happen in your department? How? Do you feel motivated by the objectives proposed by the company? Which are they? Do your feel enthusiastic with your job's contribution for the overall organization? Belonging to this company is important and create enthusiasm? How?	(Spreitzer, 1995)
			(Menon, 2001)
	Competence	Can you perform masterfully your tasks? Are you confident about your capacities for performing your everyday activities? How did you develop your skills?	(Spreitzer, 1995)
	Self-determination	Do you have the autonomy to determine how should you do your job? Which decisions do you take? Can you decide alone how to perform your work?	(Spreitzer, 1995)

Structural Empowerment	Information	Does the company provide the necessary information to employees carry out their work? How do they transmit it?	(Spreitzer, 1996)
		Would you like to receive more information to better serve the clients? Do you feel you have lack of information?	(Melhem, 2004)
		Do you understand the companies' strategies and objectives as well as your boss's vision?	(Laschinger et al. 2004) <u>adapted</u>
	Resources	Do you have all the resources to perform successfully your job? Were there any features that would increase your productivity and well being?	(Spreitzer, 1996)
	Support	Do you receive feedback about the work you perform? Are you advised about improvement aspects? How often?	(Laschinger et al., 2004) <u>adapted</u>
		Do you feel supported by your colleagues and bosses?	(Spreitzer, 1996)
	Communication	Do you communicate often with your boss or manager? How often per week?	(Melhem, 2004)
		Are you encouraged to talk when you don't agree with the decisions? Examples?	(Rosenthal et al., 1997)
	Formation	Does the company provide you tools for your development? Examples?	(Lin, 2002) <u>adapted</u>
		Do you think this company is concerned with the employees' formation?	
	Role clarity	Are you conscious about your role inside the company?	(Spreitzer, 1996)
		Are the functions well distributed and everybody knows what has to do?	
	Reward	Does the company take into account your efforts and dedication? How?	(Melhem, 2004)
		Your individual performance is reflected in your salary?	(Spreitzer, 1995)
	Organizational Climate	Are you encouraged to take your own decisions? How?	(Ueno, 2008)
		Inside of your work unit there are space for employees' participation in the work decisions? How is done?	(Spreitzer, 1995)
		Does the company provide a climate for team work?	(Spreitzer, 1995)

3.5 The organizations

Both companies are in a structural growth phase and they do not have yet a human resources department working at the time. The research project presentation was made to the responsible for human resources who also accumulate other functions as quality departments (Case study A) or CEO (Case study B). The research has generated the enthusiasm of both management team with the possibility of hearing the employees and also understand how they feel about the work they have. Once perceived the mutual interest in approaching the interviews the adaptation of both interest constituted the main strategy for structuring the sample of employees.

Companies have their personal motivations in running the interviews. In the case study A, they were focused on understanding the overall situation of their human assets. Plus, they were curious about detecting geographic discrepancies in employees' behaviour and attitudes and about their relation with supervisor's capability of empowering their managers. It was a method to control the similarity of content and conditions that supervisors provided to managers. Since there are three supervisors, there are three portfolios of establishments. The portfolios are created by geographic proximity because supervisors personally visit the units three times per week. The objective was to interview the three supervisors, and to interview the manager, cashier and employees of two/three different units. Inside each unit, there are a team of 3 to 10 employees, depending on the size of the commercial unit. In this cases, the criteria to choose the interviewees was based on their availability on the moment, once the interviews were made on working time, and also on seniority and professional experience. Cases of employees' that have worked in other companies inside the same area have enriched the content by comparing the structural factors between the two companies.

In the case study B their motivations were centered in identifying anomalies inside their system. The company is inserted in a very demanding market in terms of quality and certification and they are actually concerned with obtaining the ISO 9001. The diversity of areas approached in the interviews could help them to correct possible problems in their structure. With only one establishment, the objective was to interview the 3 engineers (responsible for departments) and 6 subordinates, inside the production process. The process of selection the interviewees was made following the same criteria of the case study A.

4 – Results

In the two case studies the understanding of the word empowerment was limited, and was translated as delegation of power and authority (Conger & Kanungo, 1988) and subordinate's autonomy and responsibility (Darankolaee et al., 2014). These keywords helped to elucidate the interviewees and to insert them into the framework.

The research objectives will be answered separately, in two phases. Director's interviews will be used to answer the first research objective, regarding the SME's knowledge about empowerment and their willingness to invest. The second research objective will identify the organizational policies and practices to enable empowerment based on the managers' point of view. Further, to evaluate how do employees' feel empowerment the managers' results regarding the structural factors will be compared with the employee's perception of the same parameters. Since this constructs might contribute to employee' psychological empowerment, it will be analyzed secondarily.

The heterogeneity of the case studies demanded the presentation of results in separate. The case A have relevant difference of practices to enhance empowerment from line manager⁴ to subordinates and it will be approached separately in the different study variables. As the case study B do not present large differences along their hierarchical structure, the perception of empowerment is similarly intended by all the employee's categories and will be analyzed together.

4.1 SME's awareness about empowerment

In both case studies, managers were synchronized regarding the importance of having autonomous, responsible and motivated human resources. They highlighted that liberty and trust in the subordinates' work are ingredients of their internal culture.

“It was beneficial to be uniform and everyone could have this profile but it does not happen (...) therefore, we sought to find and train them in the long-term.”

Case study A- Supervisor

⁴ Stands for “ Encarregado de linha”

"(Autonomy) is very important. I started as finance director and had autonomy to negotiate with the banks, etc. In terms of work tools, they have freedom to use it. And if something is missing, we can evaluate and invest. "

Case study B - CEO

Despite of their agreement with autonomous workers, in the case study A the management team agreed that this profile is only required for line managers. Their function as responsible for the commercial establishment demands empowered behaviors and attitudes, capable of transforming the organizational environment. Line managers are intended as messengers between the upper and lower levels.

"(Empowerment in managers) I consider it very important. You can be out of work, but they continue to carry forward the mission you have. They have our vision. (...) The strategy we have to guide them to these behaviors is value them with incentives, value their way of being and give them space to make decisions (...) We want to see their work!"

Case Study A- Executive Board

The second company was motivated to develop empowerment across the organization. The market competitiveness of their business demanded high levels of quality and professionalism. Remaining at the forefront depend on their efficiency and lean management, reasons that lead companies to develop empowerment. The executive board sees investment and innovation as essential steps to grant current advancements and survive in the future.

"We value (empowerment) but the attempt to generate development is not our primary objective. Our aim is to increase relevant indicators (...) the investment depends on whether we feel that there are positive responses from the employees' side, that make us bet. "

Case study B – CEO

Considering their positive willingness to invest in empowerment as an indicator of awareness about this concept and its effects, we will approach the current policies and

practices of empowering based on the structural factors of empowerment: information, resources, support, communication, training, role clarity, rewards and organizational climate.

4.2 Structural empowerment – Managers and employees’ empowerment

Information

In the questionnaire the information topic stands for knowledge that have influence in the employees’ performance, as information about his/her function, range of products, type of clients, organizational results and standards, etc.

There are differences in the means of sharing information across the companies, and it was clear in the case study sample. The organization strategy had influence in the creation of networks that could drive information to employees. Whilst, the strategy of A is concentrated in their line managers and the information flows to them, reaching the employees indirectly, B has open channels to all the company. Besides this, both companies use the same means e-mail, phone and website to transmit the information.

"(...) It is managers’ responsibility to receive information from supervisors, and forward pass it to employees. They receive information through email, phone and in person, having weekly meetings with supervisors to organize ideas and strategies (...) they receive graphics and results to assist their management. "

Case A – Supervisor

"We define a strategic plan and then we communicate the components of the plan to employees. Everyone knows exactly what is expected from him. About the legislation we provide means for people autonomously gather information about what they want. In terms of strategic information our future ideas are also shared with employees."

Case B – CEO

Sharing information about the vision and strategy across the company is commonly associated with high levels of employees’ integration and job satisfaction (Gifford, Fiona, & George, 2005). In the case A, the role of line managers is crucial in this process and the effects depend on their personal skills to spread the information. Their

behavioral patterns are not standard, which can produce several outcomes in the employees’.

"(Understanding the strategic message) depends on the managers, because each has its own method, and some are better than others. (...) Overall I would say that managers perceive well the objectives and strategy of the company, employees do not always. "

Case A – Supervisor

In B, the process of sharing this type of information is made objectively, having formal moments to provide selective information, making clear the organizational expectations for their individual functions.

Employees, in the case A have confirmed the e-mail, telephone and physical contact as the information channels of the organization. They stated to receive daily information by their line managers contact inside the establishments. Since the information depend on the line manager capability of sharing it, some employees demonstrated their discontent towards the amount of information they receive, especially regarding the objectives of the company. However, the majority agreed to receive enough information to perform.

Employees’ knowledge about the company strategy and values was asked and results showed a wide range of answers focusing issues such as market leadership, innovation or even team-spirit. The diversity was corroborated by the inexistence of communication plan to share this type of information.

"This company is above average in terms of information, etc. (...) I get daily information through the line manager. There are things I do not want to question, is supervisor responsibility to decide.

The strategy in my view, is to lead the market. The vision of the team leader is focus on keeping the good team work. He (manager) really cares about us, if everybody is ok."

Case study A – Butcher

The case study B have a shorter structural chart which facilitates the process of spreading information. Employees' admit that information could be passed personally, since the company is not large but their IT advances force the employees to record the information they pass. The e-mail and telephone are the active information channels and seem to be appreciated by the employees.

The information regarding the objectives is intended as an instrument that helps employees' to understand and accompanied the company strategy. Increasing the market share by innovating, increasing the loyalty and acquiring new clients were strategic steps intended by employees.

"We use e-mail, preferably. But I usually speak personally with managers. I understand the decisions that are taken, they explained them to us. I never doubted the decisions they make. (...) We have training that includes the company's objectives and if they were met or not. Control the goals is good (...) The strategy is always related with our capacity to generate something new in the market, create differentiated products, easy to produce. Focus on automation to have higher productivity. "

Case study B – Quality engineer

Resources

Keep up with the organizational growth in terms of sales volume and establishments over the last years, with the adequate resources, was considered a challenge to both managers. For the two managers, their companies are equipped with all the resources required. Evaluating the employees' needs, concerning resources was considered an important step to correct the system flaws, attempting to provide the best conditions to work. Integrating everyone in a participative management facilitates the perception of the work conditions, contributing to a watchful management.

"We tried to not miss anything (...) When we have a note of something, we try to correct the situation as soon as possible. The staff grew and the company that was designed for a given volume exceeded this value and that has created constraints in terms of infrastructure and for example the uniform, was one of the points to improve because

employees did not feel well with it. There was involvement of everyone in order to create good working conditions. In the future, the creating of a canteen would increase the employee welfare but it is out of our plans for now "

Case B – CEO

Employees in both companies were unanimous in admitting they have all the resources needed. Managers were described as innovative and open minded which explains the continuous investments in renewing the workplace conditions. Was confirmed that companies are watchful for their conditions, and make efforts to respond quickly to any system flaw as the case of obsolete uniform on the case study B.

Although the employees were satisfied with the resources, in case B they claim the need of more people to overcome the excess of workload that each of them have. In this case, managing human resources can have a good impact in decreasing the stress and over responsibilities in the collaborators.

Support

The support factor was approach based on the relations between employees and their managers, peers and superiors and by the feedback provided to employees from the upper levels. Feedback plays a vital role in the perception of being organizationally supported.

In the SME's case, their medium-size enable the regular personal presence of the executive board in the employees' workplace. In the company A, supervisors affirm to visit their establishments three or four times per week, having the chance to meet with the line managers and to give them information and feedback about the current situation. The intention is firstly to motivate the line managers and encourage them to share the information with their work-teams. The organizational structure is designed to line managers having daily contact with their teams, being responsible to manage the establishment environment.

The interviewees in case B, highlighted the management efforts to have daily physical contact with all the employees, since the office and production facilities are in the same facilities. Both A and B managers pointed: spontaneous feedback and praising

employees as the best way to motivate and guide the employees' behaviour to meet the organizational standards.

Employees' results reveal that their firms do not have integrated a feedback system, once feedback only happens in informal conversations or in an ad-hoc way. In case A, employees pointed that feedback depend on the type of line manager they have, highlighting that some of them are energetic and dynamic in their type of leadership, which contribute to involve everyone in a good workplace environment. Others do not provide open dialogue moments and it restrains feedback.

Line managers in the case A have a different experience on support. Line managers are visited by supervisors three time per week to provide them help and feedback regarding the establishment conditions and performance. The supervisors' intension is to control the managers' management efforts and to inform them about the commercial strategy of the company (merchandising, promotions, etc.). The constant contact between managers and supervisors is essential in the on going process of managers' support. At this point, supervisors make efforts to clarify the manager role in the entire organization, make them more confidence to face their teams.

"There is a sense of familiarity among everyone. The presence of the supervisor and the informal meetings we have with the direction, help managers to feel the "sweater"⁵ (...) I see my work team as my family, without them I was nothing (...)."

Case study A – Line Manager

In the case B, line managers (engineers) have to control the production and quality objectives overtime and managers try to accompanied closely accompany the production process through the new informatics system. Given the proximity between the managers and engineers, the feedback is made one time per month, or weekly if needed. The situation for employees is different, since they feel that feedback is not concrete and constant. They have referred that errors are the most common cause for receiving feedback and it emerge as an informal conversation, as commented bellow:

⁵ The expression in Portuguese was "sentir a camisola"

"This feedback is not so direct, but we understand if they are happy with our work or not (...) A lot of comments come in informal conversations about mistakes. Although I know perfectly if they have liked it or not. It was important to have more feedback. "

Case study B – Administrative officer

The two companies value teamwork and employees' have given importance to the support of all the organization (peers, managers and boss's) to achieve the desirable results. Employees have emphasized that their colleagues are their arms and without them the work could not be done.

Practices as cross-functionality and the formation of mixed teams (age, gender or experience) were referred as drivers of knowledge, maturity and organizational integration that jointly produce a sense of organizational support.

"The company is concerned in prepare us for the future. We do turnover functions and it help us to improve. "

Case study A – Butcher

"The superiors and the most experienced persons give great support to the beginners. The work that was done in our company was remarkable! Employees have demonstrated control over the working mechanisms by knowing how to report, whom report, etc. "

Case study B – Production controller

Communication

Analyzing this indicator, the company A only provide objectives and results to line managers. The communication is passed to line managers in meetings during the week or by e-mail. Managers show diverse opinions regarding the possibility of providing objectives to the lower levels employees in the future.

Despite of the centralized communication plan expressed by the concentered information, the encouragement of the lower levels to participate in the unit decisions was consensual to be good. Line managers are pressed to involve everybody in the daily

decisions, aiming to explore their creativity. The inexistence of formality inside the unities was pointed as positive input in the creation of participative climate. Managers stated that participation is a normal behaviour, giving the organizational conditions.

"We only give information to line managers and employees may or may not receive information through them. In my view it is not necessary to show numbers to employees. (...) We do not need to encourage them, because they already give suggestions regularly. We want to explore their creativity and an example of it is the space with provide to invent recipes, gourmet prepared, etc."

Case A – Quality director

"Providing information about the objectives to all employees is a part that is not developed yet. Although it could be beneficial."

Case A – Supervisor

The line managers were satisfied with the organization communication plan. They stated the information about the company culture and strategy and the meetings with the managers were relevant in the adaptation and integration in the companies' objectives, ensuring their knowledge about the organization route.

In the case B, the communication plan is executed in a rigorous and formal way. Aiming to achieve the ISO 9001 certification, the communication plan includes constant meetings with their employees to explain their individual and collective objectives, controlling their performances in the end of the trimester. With the necessity of controlling the production lines, the company invested in a new informatics software that scans the production's level at every minute. This daily control shows the flaws and facilitates the communication with the production departments.

The employees' participation was perceived as a tool to understand the company's necessities. Managers affirmed to be attentive and receptive to their opinion, however there are no efforts to increase their participation.

"The uniform problem was notified by a kitchen employee, and we immediately did a survey to understand the situation. We took a lot of what they suggested and we set out a solution to solve the problem. "

Case B – CEO

All the employees, in both case studies, have said that they communicate everyday with their peers and superiors by telephone, e-mail or personally. Employees stated that informality, openness and the existence of means have created the conditions to easily communicate inside the company.

"There have an open environment and so people can communicate their ideas. There is no restriction of opinions. There is enough transparency inside the company, however there is no incentive for people to talk. We naturally try to express our opinion that may or may not be heard. "

Case Study A – Butcher

The small and medium size structures of SMEs contribute in general to generate simple and informal communication channels. The informality and absence of communication barriers are characteristics of SME's organizational climate. In the two case studies, the results shown concordance with this statement.

If employees experience an open communication structure, which values their opinion and encourage their participation, with access to objectives and organizational milestones, it can increase their possibility of being empowered by feeling higher sense of commitment and job satisfaction (Menon, 2001).

Training

Important for increasing quality standards, training is considered a vital tool in both of the companies. The constant expansion and all the efforts made to bring the companies to the top of the market, as deviate them to the "desirable formation plan", expressed by both managers'. The two management teams claim to meet the training plan defined by law, or by the certification authorities (case study B) and they try to

complement their training in specific areas such as informatics, good practices in attendance, etc.

"Training is a concern for us, specially considering the certification we want to achieve. However, we are still below the ideal situation. We have a training plan set."

Case B – CEO

Employees have recognized training as a tool for their own development, and affirmed to receive the legal training hours. They recognize that companies are concerned with the development of their human assets, although they see it linked with the market and certification requirements. Exemplifying, the training in the case study B is a certification requirement to meet the ISO 9001 and they have formation for each area of the organization, having the possibility to repeat if needed.

"The company is evolving and strives to explain how to do things. There is empathy for the company in training us. They make efforts for it. We have the HCCP hygiene but I would like to have more. For example: packing, conservation of meat, how to work with other machines, etc. (...). "

Case study A – Butcher

Training is not the only way to develop the employees' skills and companies have created space for developing employees' creativity. In company A, they have space for employees to develop new products, having the opportunity to design, taste them and improving them if necessary.

Role Clarity

The role of clarity reflects the organization of the company and how well they are structurally perceived by employees'. This factor has implications in other structural factors since the clarity of the role facilitates the communication of the information across the channels, helping employees to perceive the support from upper levels. SME's are

usually associated to a “traditional management”, which is familiar based and may have inaccurate or vague role definition.

In the analyze, the managers of A consider that role clarity is not a problem. The functions per establishments are created by supervisors that delegate the unit responsibilities on managers. The functions are then communicated informally to the team by managers, and the supervisor work is to help in the validation of the manager as the leader of the group. Inside the establishments their impression is that exist respect for the structure and people easily recognize the hierarchy. Supervisors admit to build the teams based on employees’ work experience, and try to have “the right man for the right job”.

The director’s positive feedback regarding role clarity was not corroborated by employees. The inexistence of an organigram and a description of functions to clarify the job activities, make this depend on the line manager. This implies that the notion of role clarity is differently perceived in the establishments. Indefiniteness make employees affirm that their colleagues are confused about their roles and overlaps may happen. In sum, the lack of instrumentalization and protocolled definition turn this factor ambiguous.

In contrast, the case B reported the use of organigrams to make clear the definition of functions and expose the structural image. The perception of the director is that employees understand their role inside the company and the existence of overlays are inevitable but not critical.

With high formality in what concerns to role clarity, the company B requires that employees sign a job description when they enter to the company. This step translates the organizational expectations about the employees’ tasks and activities. Additionally, they have an organigram spread across the company, that elucidate the employees regarding the entire hierarchy.

"Everyone knows the role they have inside the company. We all know how it works, I help my subordinates and often I consult my superiors about decisions. I do not take decisions that are not mine. There is an organization chart and a description of the functions that help to clarify this situation. Everybody are informed about this tools."

Case study B – Chef

Rewards

Having an adequate reward system, reflecting the efforts and dedication of employees, can have impact in empowerment. This factor is delicate and can have a strong effect on employees' perception of work conditions and on organizational climate. If employees experience inequity in comparison with their peers, this can have effects on their perception of organizational fairness. Additionally, rewards are a subjective theme and therefore it is subject to distinct opinions.

In case A, the executive board reveal to make efforts to accompany closely their employees in order to understand their potential. The long term study of employees' skills and personality define the possibility of career progression. The company have cross-function practices in the commercial establishments, such as cashiers that in some days are cutters or vice-versa, which enable the development of the employee. The exploration of their skills help them to grow internally, as proven by director's intentions to use the "prata da casa" as much as possible. This Portuguese expression refers to the utilization of companies internal resources as solutions for internal problems.

In terms of reward policies, A only has incentives for their line managers, which receive 10% of the monthly profit in their commercial establishment. The case study B brought a similar strategy but for the overall organization. The employee category defines the base salary that can be complemented with a variable component of objectives or year awards for annual milestones.

"The employees are studied overtime. We have to understand if psychologically and in terms of personality they fit on the standards we seek for, to future prospection. We love to work with incentives and promotions. In my opinion the incentives should be transverse to overall employees and not only for managers, but it is not consensual "

Case study A – Supervisor

The individual performance is only reflected directly in the salary of the managers in the case study A, through a percentage over the profits. Managers assume that this

system make them greedy and watchful for every details, contributing to leaner management.

Managers reveal to be delighted with this system, which in their opinions is an *“enormous incentive to improve the establishment performance”*.

Employee's, in case study A, know about the managers' incentive policy. Plus, some of them have referred the organizational convivialities and their good relations with the boss as rewards for their efforts and dedication.

In the case B the employees highlighted that the final year dinner and objectives rewards (production records, quality standards, etc.) are the principal constituents of the reward policy. However, they appreciated the policy, employees reveal dissatisfaction with the salary, that in their opinion did not reflect their effort and stress.

"If I had known I was going to be working at such high level, I would attempt to adjust the salary or open a prospect to increase it (...) but maybe in the future."

Case study B – Production Controller

Organizational Climate

The interviews finished with the exploration of the participative management based on their organizational climate. Encouraging employees to take decisions and creating the climate conditions to develop team work, capable of involving everybody in the project processes, are structural behaviors that can enable empowerment.

The results show that for both companies the team work comes naturally by the way the functions are inter-related. Managers assume that line managers (case study A) or engineers (case study B) are responsible to manage their working units and the creation of organizational climate inside teams depend on their relationship with the teams.

In terms of organizational participation, the company A expects to receive the employees' opinion from the line managers, as their representatives. The company B has created some initiatives to collect the employees' opinions as corroborated by the following excerpt:

"(...) Our participation is not formal, there is no brainstorming. However, there are small actions in the quality department. When new products come out, employees have the opportunity to taste it and to give feedback (oral and writing). We like to have their opinion because we rely a lot on innovation and we needed to have opinions. We are now developing a tool, which is a folder of the suggestions to be fed by our employees (...)"

Case B – CEO

Following the same reasoning of managers interviews the organizational climate was approached oriented to the participative management. Considering the participation and autonomy inside the companies, employees in both case studies have demonstrated autonomy in deciding how to organize their tasks and perform their work. Expression as “it’s your call”⁶ or “go ahead” were usually stated in the employee’s daily work, which show their initiative and autonomy. Employees’ were aware that strategic decisions are out of their length and stated that they do not question the director’s decisions.

Regarding the good climate and team work, employees also had unanimous opinions, stating that they like to work in teams and the group spirit was a catalyst to be more participative.

"Once up on a time, my line manager had a problem and was out for 70 days and managers told me " the butchery is yours, you take the responsibility from now"(...) Within the units everyone participates about the decisions in the store, as decoration, new products, etc."

Case study A – Butcher

The organizational climate oriented to autonomy was consider the strongest factor to the line managers’ empowerment, in case A. The encouragement they receive from supervisors to take initiative and be autonomous, increase their confidence on their capabilities and decrease their fear to fail. They stated that towards the responsibility they have, the role of supervisors in encouraging them is essential in the process of delivering power.

⁶ The expression in Portuguese was “desenrasca-te”

"We have all the conditions to be happy. The rewards we receive motivate us, especially because we can compare us to other line managers in the ranking (...) All line managers have the freedom to coordinate their team members, taking the responsibility of the store, to have initiative and attract new customers, etc. (...). Supervisors are very important to give us feedback and to guide us in the management ... "

Case study A – Line managers

4.3 Psychological Empowerment – Managers and employees' empowerment

Meaning

In the case studies all the employees highlighted the importance of work, attributing similar meanings to their work, such as sense of utility, monetary interests and as a mean to personal realization by showing interest in the business area.

Competence

The vast experience in the area demonstrated by a large part of the interviewees gave them more confidence and sense of competence to perform their work. In case A and B, employees look to the organization as a school where they continually develop their skills and gather business knowledge. They feel themselves as a company's final product and have distinguished the cross functional and diverse teams as main drivers of this individual process. The lack of time was pointed by most of them as a restrain for their competence, since it blocks their perfectionism.

"I am in this area for many years. I learned what I know with other people which worked with me and other skills I have learn from myself but always with eyes on the most experienced colleagues (...) There is not much time to be perfectionists and we have to give priority to certain tasks. "

Case study A- Butcher

Impact

Working in teams and the feeling of self-competence seem to create a sense of impact over the organization. Employees stated that team-work, responsibility and the optimization of human resources make them indispensable in the companies daily activity. Some of them explained that when they were in holidays or out of work. Their colleagues have noticed their absence and missed their presence. The control and influence they have is over their function and they constantly report to their superiors. The responsibility of planning the shift production in the case of the production engineer or in deciding how many floor grams they will put on the pasta to cook (chef) create on employees a feeling of control and influence over their jobs.

Motivationally, line managers feel to have a large impact in their work unit. Consider by their managers as “house owners” they have high responsibilities over every part of the establishments such as forming the team, shopping, sales, promoting, controlling providers, etc.

Goal internalization

Other factors that accelerate the employees’ sense of impact is the goal internalization, since they can numerically prove the contribute to the organizational result. In this factor, the structural analyses already unlace the difference between A and B. With no concrete objective exposition, the employees in case A feel the company growth as consequence of their work. Increasing sales is their final objective and they intended to assume the organizational lemma: “selling more”.

The case is different for line managers, since they receive clear objectives. Managers have commented that the company expansion over the last years is a consequence of their local work and it contributes to their feeling of personal realization.

"Our goal every year is to increase sales, satisfy the customer by serving them with quality and create satisfaction in our team. We have monthly objectives and we are always making comparisons of results between the stores, which creates some competition between the managers. "

Case study A – Line manager

The company B have implemented a system of objectives. By challenging their employees with harsh goals, they intend to involve them in a very competitive atmosphere, demanding from their side high levels of corporate responsibility and commitment. The goal accomplishment is then understood as a collective effort and people feel involved in the organizational success.

The growth and presence of both companies as leaders in the local markets allied to the ambitious future projects make employees proud to be part of the organization. This feeling is likely to contribute to job satisfaction and organizational commitment, increasing their probability to experience empowerment.

Self-determination

The liberty to determine how to perform their jobs and the type of decisions employees make has influence in their self-determination. The existence of conditions for self-determination increases people's confidence and has a positive effect on enabling empowerment by making people susceptible to explore their capabilities. Besides, the difference in the type of business A and B provide, the sense of self-determination they share is proved to be similar. The organizations have managers and engineers, respectively, as the autonomous players in taking local decisions on the stores or production process. Inserted in an informal reality their self-determination is the core of their function, since their autonomy is inevitable to running the stores operations.

For employees' the inexistence of behavioral protocols, make them deciders of how to organize their daily tasks and the interaction with the public. Employees recognize their lack of autonomy when comes to decisions that overpass their control and resort their superiors.

"I decide how to cook things, even when engineers are not here. I decide if the pastas take more or less flour. For example: the pasta takes 10gr, but I sometimes say that the pastas will take 12gr because I know what I'm doing and I explain it later to the engineer. (...) But of course I recognize my limits and I respect the decisions of others. "

Case study B – Chef

The results show that empowerment practices and policies of empowerment exist inside the SME's and the way the organizations is developing the structural factors largely contributes to the feeling of empowerment felt by employees'. The way the structural factors are experienced by employee can have effect on their psychological state that is determinant in employees' perception of empowerment.

5. Discussion

In this section, the major findings of the study are outlined in the figure 5, attempting to relate them in the construction of the employee feeling of empowerment.

Given the findings, SME's have demonstrated mechanisms to try to develop empowerment and the impact on employees' feeling follows the previous literature. We believe that organizational climate is a central point in employees' feeling of empowerment, which is somehow consistent with Conger & Kanungo (1988). Influenced by organizational factors such as information, communication, role clarity, resources and reward policy, the organization climate is responsible for establishing the right environment capable to potentiate the employee relationship with others (peers, managers, superiors) and their participative involvement in organization or department decisions. The presence of the previous factors, and mainly organizational support seems to assure employees the sense of trust and transparency, similarly to (Hart & Saunders, 1997) and (Spreitzer, 1996) researches. Plus, the team work spirit and organizational openness, coined as incentive to participative management seem to increase their involvement (Kanter, 1983).

In the process of decentralization of power, employees generally assume to experience responsibility and autonomy (Spreitzer & Doneson, 2005) that allied with the previous factors, capacitate their psychological empowerment. The informed participation and goal internalization in the two case studies produce direct effects on employee perception of meaning (Menon, 2001) and organizational impact, making them experience the feeling of project belonging that potentiate their self-determination. Consider these factors as influents in the employees' self-esteem it also affects their notion of competence (Spreitzer & Doneson, 2005). This cognition is shaped by training, team-work and cross-functionality practices.

Employees' have demonstrated that experiencing the structural factors strengthens the psychological empowerment, that conjunctively contribute to job satisfaction, commitment and motivation (Harney & Jordan, 2008; Purcell et al., 2003). These feelings are more likely to be felt in employees' that work under this conditions.

The following figure 5 schematize the causality relations between all the factors involved, that end up in the employees' feeling of empowerment.

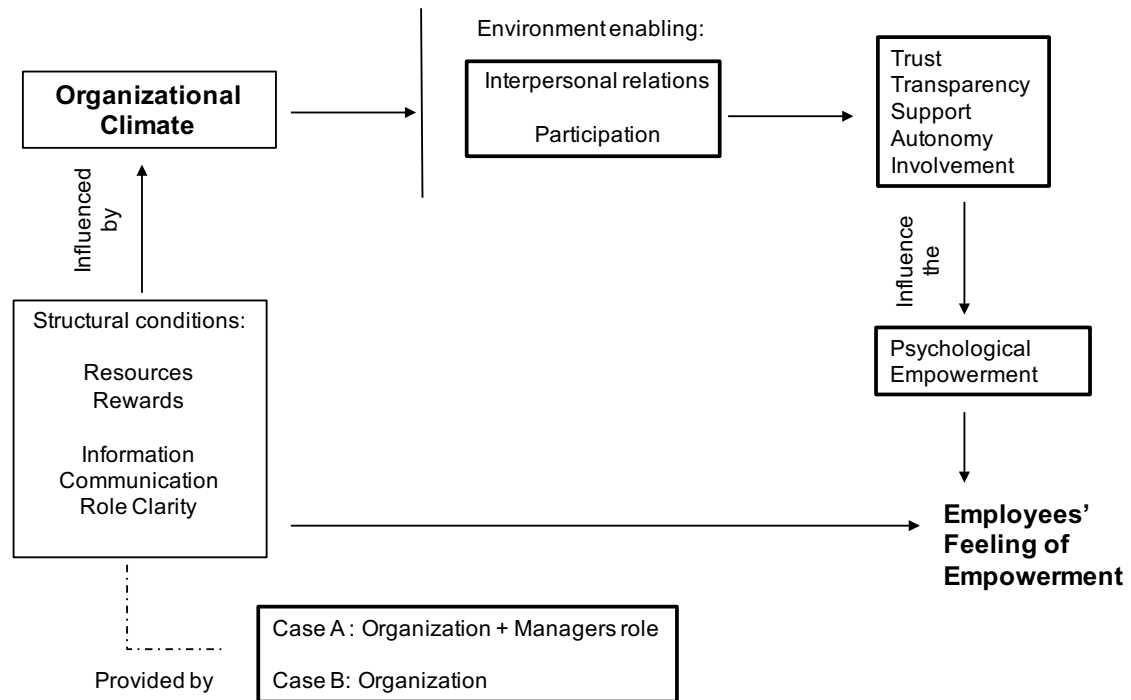


Figure 6- Employee's feeling of empowerment

Source: João Araújo

After understanding the organizational climate as the main driver for employees' feeling of empowerment it is important to explain and understand the creation of this factor. At this point case A and case B have shown relevant differences that may be explained by the organizational chart and business area.

Organizational business and chart – role of managers

Whilst in B case there is a smaller hierarchical chart and employees receive indications directly by the top management, in the case A the structural factors are provided by the organization through managers' leadership.

Concentrating in the leadership factors presented in the case A, results have shown that line managers' leadership had influence on employees' perception of HRM practices as previous authors have explained (Purcell & Hutchinson, 2007). Line managers have control over information (results, objectives, strategy), communication, support (feedback and interpersonal relations), role clarity and essentially in organizational climate (participation). Their leadership enables and limits the employees' empowerment

(Greasley et al., 2005). This research shows that jobs near to the top functions, such as the line managers position, the possibility of empowerment is high. The position itself demands higher autonomy, self-determination and other factors that influence directly with the creation of personal empowerment.

The importance of leadership in large companies makes it harder to create the process of empowerment in these companies. The creation and standardization of the organizational culture or organizational climate inside the company would demand the existence of several leaders with identical characteristics, capable of shaping their teams overtime in the same way, which is not easy to achieve due to human diversity.

Since the beginning the managers of company A have highlighted the line managers as their focus on empowerment. The results have confirmed line manager as more empowered than employees. On one hand, their job activity demand high autonomy and involvement in the project. On the other hand, the structural conditions available create more impact in the line manager daily life, which affects largely their personal motivation.

According to Ueno (2008) the intention to create conditions to enable empowerment are commonly associated with the organization's business. The case study A, inserted in a mass service sector has, according to the author, a medium-level motivation to develop empowerment. The presentation of their practices have confirmed the control oriented culture and task limited power (Lashley, 1999). However, the levels of participation, involvement and commitment are consensual to be satisfactory.

The case study B has empowerment constrains due to the standard jobs in factories (Ueno, 2008). Nevertheless, the feeling of empowerment in employees' is positive. Their short size unit allied to ambitious goals and results have encouraged the organizational climate oriented to employees' involvement. Plus, the organization innovative profile contributed to create mechanism of empowerment that enabled employees' discretion and participation.

6. Conclusion, limitations and suggestions for the future

This research aimed to understand the internal dynamic of SMEs, approaching their motivation, objectives and challenges to develop the empowerment culture. Moreover, the research focuses the perspective of the employees and their feelings of empowerment.

To perceive the feelings of empowerment in employees, the analyze has considered several structural and psychological factors that might have triggered the empowerment feeling. Supported in this factors the literature review presented the perspective of several authors for each factor, absorbing their importance in the creation and development of empowerment. The structural and psychological construct were proved to be connected and this linkage facilitated the analysis of the individuals' empowerment, since the psychological effects were mostly induced by structural conditions.

To achieve the study objectives, the methodology followed a qualitative approach in which two cases studies were conducted and consequently 30 employees were questioned in interviews. In general, the employees' perception of the inducing factors of empowerment were positive. Feedback was considered the least developed practice and was referred to the administration of both companies as a point to improve. The structural factors were proved to have a strong influence in the organizational climate that is a central piece in the development of the psychological empowerment, and consequently on the employees' feeling of empowerment.

Independently on the activity sector and hierarchical chart, both companies presented initiative and efforts to explore empowerment. Furthermore, leadership plays a preponderant role in the process of empowerment creation and exploration, which was visible in case A in the role of intermediary managers and in case B in top management. This fact hinders the development of empowerment inside the large companies, since it is difficult to train and "standardize" leaders' behaviour.

Results shows that empowerment is not only a theme for large companies, it constitutes an objective for SME's that have construct means to develop it. The practices of this two companies in information, support and organizational climate were

surprisingly good and can be intended as an example for similar companies. The results on feedback and role clarity were marked to future improvement opportunities.

This research presents some limitations. The qualitative approach is naturally affected by the subjectivity of the author during the research. Considering the study, the conclusions are specific to the two case studies in SMEs. The interviews were conducted under the specific environment of the companies, which is heterogeneous in comparison to other companies. Plus, the two case-studies only approaches two sectors of activities and the study would benefit from the exploration of other sectors.

Besides the research limitations, the method contributed to dive into the SMEs reality by understanding their practices of empowerment and also by perceiving the employees' feelings.

Future studies could explore new sectors of activity as well as companies with other dimensions (start-ups, large companies, etc.). Considering the structural and psychological factors that potentiate empowerment, it would be interesting to explore the weight of each factor in the empowering process. This would allow to understand how people process psychologically the conditions and how they have impact in the feeling of empowerment.

In sum, this study is a contribute to the empowerment developments in SMEs. Considering the importance of the theme for the generality of the companies worldwide and the existent gap in the literature, there is space for future researches.

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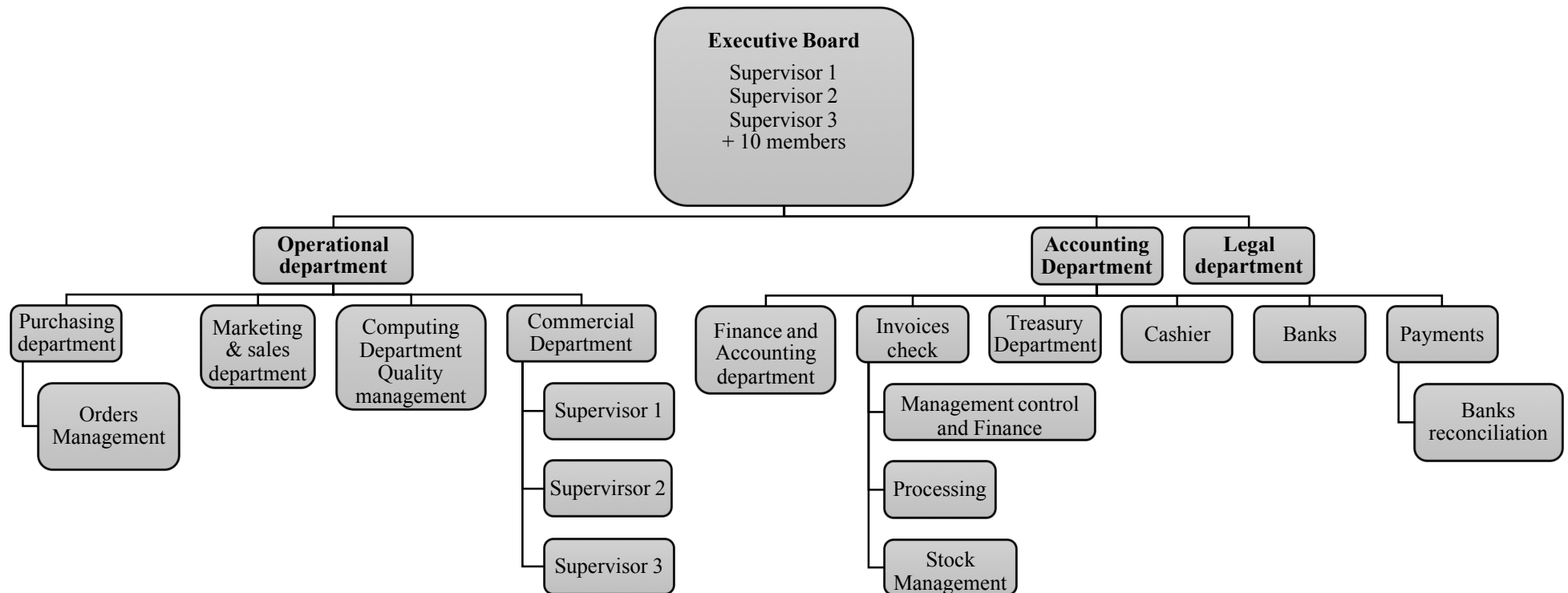
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Annexes

Annex A – Organizational chart of case study A



Annex B –Organizational chart of case study B

